

CALIFORNIA SCHOOL FINANCE AUTHORITY

Meeting of the Board

Wednesday, May 22, 2013

11:00 a.m.

915 Capitol Mall, Room 587
Sacramento, California 95814

Deputy State Treasurer Michael Paparian, serving as Chair, called the meeting to order.

Roll Call

Members Present: Michael Paparian, designee for Bill Lockyer, State Treasurer
Kathleen Moore, designee for Tom Torlakson, Superintendent of Public Instruction
Tom Dyer, designee for Ana J. Matosantos, Director of Finance

Staff Present: Katrina Johantgen, Executive Director
Terri Kizer, Program Analyst
Steven Theuring, Program Analyst

The Chair declared a quorum present.

Approval of Minutes

The minutes for the April 16, 2013 The Authority board meeting were approved as submitted.

Executive Director's Report

Bond Report: Steven Theuring reported on the status of the Conduit Financing Program. He informed the members that the Working Capital Series 2013A note transaction closed last month in April. Mr. Theuring reported that all of the QSCB allocations totaling \$141 million have been allocated. There are two remaining issuances; The Alliance for College Ready Public Schools is due to close in June 2013 and High Tech High's issuance is scheduled to close in July 2013.

State Charter School Facilities Incentive Grant: Ms. Johantgen informed the members staff will be presenting the award recommendations for Round 9 of the State Charter School Facilities Incentive Grants Program with just over \$10 million to award at the June 12, 2013 meeting.

Charter School Facility Program: Ms. Johantgen informed the members that items #4 through #10 are all CSFP reviews that The Authority staff has undertaken. These schools

had a January 1, 2013 deadline to submit applications and materials to the Office of Public School Construction (OPSC) for final apportionment. All of the final project costs included in the reports have been vetted by OPSC.

Resolution No. 13-12 – Approving a Financially Sound Determination for the Charter School Facilities Program for Final Apportionment for Camino Nuevo Charter Academy #2 Located in Los Angeles County, California

Camino Nuevo Charter Academy #2 (Harvard) requested final conversion to a Prop 55 final apportionment for construction of a school facility. Camino Nuevo Charter Academy (CNCA) seeks to build a permanent facility for its Harvard elementary and middle school. Harvard plans to complete the project so that it can occupy the premises beginning in the 2014-15 school year. The CSFP payment will be intercepted.

Staff recommended that the Board find Camino Nuevo Charter Academy #2 (Harvard) financially sound for purposes of the Charter School Facilities Program final apportionment, contingent upon Camino Nuevo Charter Academy, the parent organization, lowering its projected 2015-16 oversight fee for Harvard by approximately \$41,000 to ensure the school will meet its debt service coverage for the same year.

It was moved, seconded, and passed unanimously to adopt Resolution No. 13-12, determining that that Camino Nuevo Charter Academy #2 has maintained its financial soundness for purposes of final apportionment contingent upon Camino Nuevo, the parent organization, lowering its projected 2015-16 oversight fee for Harvard by approximately \$41,000 in order for the school to meet one times debt service coverage for the same year.

Resolution No. 13-13 – Approving a Financially Sound Determination for the Charter School Facilities Program for Final Apportionment for California Montessori Project – Elk Grove Located in Sacramento County, California

See combined item below.

Resolution No. 13-14 – Approving a Financially Sound Determination for the Charter School Facilities Program for Final Apportionment for California Montessori Project – Shingle Springs Located in El Dorado County, California

California Montessori Project – Elk Grove requested conversion to final apportionment for total project costs that have been reassessed by OPSC as \$9,299,178. California Montessori Project – Shingle Springs requested conversion to final apportionment for total projects costs that have been reassessed by OPSC as \$10,544,098. Both California Montessori Project – Elk Grove and California Montessori Project – Shingle Springs have met all eligibility criteria for the Program.

These final determinations of financial soundness are contingent upon both schools fulfilling their local matching share obligation through an annual payment to be intercepted by the State Controller's Office. Staff recommended that the Board find the schools are financially sound for purposes of a final apportionment as they have met all eligibility criteria for the

program. In separate motions, It was moved, seconded, and passed unanimously to adopt Resolutions No. 13-13 and 13-14, determining that California Montessori Project – Elk Grove has maintained its financial soundness for purposes of final apportionment.

Resolution No. 13-15 – Approving a Financially Sound Determination for the Charter Schools Facilities Program for Final Apportionment for Pathways to College Located in San Bernardino, California.

Ms. Johantgen advised that Pathways to College (Pathways) requested conversion to final apportionment under Proposition 1D and Proposition 55, with the transfer of Crosswalk Charter School's Proposition 55 apportionment to Pathways.

Pathways' planned project consists of new construction of a 19-classroom facility located within the Hesperia Unified School District's boundaries. The classrooms will be modular construction, and will include a library and multipurpose rooms. The project is expected to be completed by the end of the 2013-14 fiscal year, with the anticipated first year of occupancy being 2014-15. Staff recommended that the Board find that Pathways to College is financially sound for the purposes of a final apportionment. It was moved, seconded, and passed unanimously to adopt Resolution No. 13-15, determining that Pathways to College has maintained financial soundness for purposes of final apportionment.

Resolution No. 13-16 – Approving a Financially Sound Determination for the Charter School Facilities Program for Final Apportionment for Chico Country Day Elementary Located in Butte County, California

Ms. Johantgen advised the members that Chico Country Day School (CCDS) requested financing for a rehabilitation project for its current school facilities. CCDS anticipates project occupancy in 2015-16. OPSC reassessed total project costs to \$7,955,650, and annual CSFP payments of \$178,503 are expected to begin FY 2016-17. Staff recommended that the Board find Chico Country Day School financially sound for the purposes of the Charter School Facilities Program Final Apportionment. It was moved, seconded, and passed unanimously to adopt Resolution No. 13-16, determining that Chico Country Day School has maintained its financial soundness for purposes of final apportionment.

Resolution No. 13-17 – Approving a Financially Sound Determination for the Charter School Facilities Program for Final Apportionment for Accelerated Charter Elementary School Located in Los Angeles County, California

Ms. Johantgen advised that Accelerated Charter Elementary School (ACES) requested conversion to final apportionment under Proposition 55. ACES' planned construction of a new facility is expected to take 18 months. The first year of occupancy of the facility would be 2015-16. Total project costs are \$21,546,670.

Staff recommended that the Board find that The Accelerated Schools on behalf of Accelerated Elementary School is financially sound for the purposes of the Charter School Facilities Program final apportionment. It was moved, seconded, and passed unanimously

to adopt Resolution No. 13-17, determining that Accelerated Charter Elementary School has maintained financial soundness for purposes of final apportionment.

Resolution No. 13-18 – Approving a Financially Sound Determination for the Charter School Facilities Program for Advance/Final Apportionment for Leadership Public Schools – Richmond Located in Contra Costa County, California

Ms. Johantgen advised that Leadership Public Schools-Richmond requested a conversion to final apportionment under Proposition 1D. OPSC has reassessed Leadership Public Schools-Richmond's total project costs to \$23,413,262. LPSR will fulfill a portion of its local matching share obligation through a lump sum contribution of \$8,706,631 from the West Contra Cost Unified School District, resulting in a \$3,000,000 local matching share obligation.

Staff recommended that the Authority members find that Leadership Public Schools – Richmond (LPSR) is financially sound for the purposes of a final apportionment. It was moved, seconded, and passed unanimously to adopt Resolution No. 13-18, determining that Leadership Public Schools – Richmond (LPSR) has maintained financial soundness for purposes of final apportionment.

Resolution No. 13-19 – Approving the Charter School Facilities Credit Enhancement Grant Program (CDFA #84.354A) Award in an Amount Not to Exceed \$750,000* to Crenshaw & Slauson LLC for the benefit of Inner City Education Foundation doing business as View Park Preparatory Accelerated Charter High School Located in Los Angeles County, California

Crenshaw & Slauson LLC, applying for the benefit of Inner City Education Foundation, doing business as View Park Preparatory Accelerated Charter High School, is requesting a Credit Enhancement of \$750,000 in connection with a proposed \$12,000,000 tax-exempt bond issuance to purchase the property on which the school is located. Members of the financing team present for this transaction: Mr. Parker Hudnut and Mr. Mark Levinson, Fox-Rothschild.

Mr. Parker Hudnut, ICEF CEO, spoke about the school's financial soundness for this current fiscal year. He noted that the school has experienced a rapid and positive financial turnaround. They are very excited about making this strong progress and expect a positive outcome in their October 2013 audit. He explained that this is the first time ICEF will own a site and building.

Staff recommended that the Board adopt Resolution No. 13-19 approving the allocation of \$750,000 of Credit Enhancement allocation authority to Crenshaw & Slauson LLC for the benefit of Inner City Education Foundation doing business as View Park Preparatory Accelerated Charter High School located in Los Angeles, California, and to direct staff to continue working with the applicant and their financing team to finalize the structure of the transaction for issuance with Board approval of the issuance of bonds no later than November 30, 2013. It was moved, seconded, and passed unanimously to adopt Resolution No. 13-19, determining that the Charter School Facilities Credit Enhancement Grant Program (CDFA #84.354A) award in an Amount Not to Exceed \$750,000 to View Park Preparatory Accelerated Charter High School.

Resolution No. 13-20 – Approving the Charter School Facilities Credit Enhancement Grant Program (CDFA #84.354A) Award in an Amount Not to Exceed \$660,000* to 7907 Santa Fe Avenue Charter Facilities LLC for the benefit of Alliance Margaret M. Bloomfield Technology Academy High School (formerly known as Alliance College-Ready Academy High School No. 18) Located in Los Angeles County, California)

Ms. Johantgen informed the members that this is a Credit Enhancement Grant Program for a new school for Alliance College-Ready. This is made possible due to the changes in the regulations that took effect late last week, which allows Charter Management Organizations to apply on behalf of new charter schools; provided they meet all eligibility criteria. For the initial evaluation, the Authority looked at the Alliance schools as a whole for the average free-reduced price meal data.

It was moved, seconded, and passed unanimously to adopt Resolution No. 13-20, determining that the charter school facilities credit enhancement grant program award in an amount not to exceed \$660,000 to 7907 Santa Fe Avenue Charter Facilities LLC for the benefit of Alliance Margaret M. Bloomfield Technology Academy High School located in Los Angeles County, California.

Resolution No. 13-21 – Authorizing the Charter School Facilities Credit Enhancement Grant Program (CDFA #84.354A) Award in an Amount Not to Exceed \$1,500,000* to Partnering With Parents, Inc. for the benefit of Classical Academy Inc. doing business as Classical Academy High School, Inc. Located in San Diego County, California.

This item was held over.

Resolution No. 13-22 – Authorizing the Issuance of Bonds in an Amount Not to Exceed \$12,000,000* to Finance the Acquisition, Construction, Expansion, Remodeling, Renovation Improvement, Furnishing, and Equipping of Educational Facilities Located in Los Angeles County, California

Mark Levinson, bond counsel with Fox Rothschild, informed the Board that the structure for this bond transaction is typical for this kind of transaction. If the initial indication from S & P holds true, the bond will be rated BB-, which will put this in the non-investment grade rating category. Ms. Johantgen confirmed that the Authority's bond issuance guidelines would be followed based on the final rating. Parker Hudnut of ICEF Public Schools provided an update on the growing strength of the organization.

It was moved, seconded, and passed unanimously to adopt Resolution No. 13-22, authorizing the issuance of bonds in an amount not to exceed \$12,000,000 to finance the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing, and equipping of educational facilities located in Los Angeles, California.

Resolution No. 13-23 – Authorizing the Issuance of Qualified School Construction Bonds (QSCB) in an Amount Not to Exceed \$10,750,000* to Finance the Acquisition of Educational Facilities Located in Los Angeles County, California

Ms. Johantgen advised the members this is a private placement of QSCB between the charter school and three community development financial institutions: Low Income Investment Fund, Nonprofit Finance Fund and Local Initiatives Support Corporation. The bonds are being privately placed by Robert W. Baird & Co.

It was moved, seconded, and passed unanimously to adopt Resolution No. 13-23, authorizing the issuance of Qualified School Construction Bonds in an amount not to exceed \$10,750,000 to finance the acquisition of educational facilities located in Los Angeles County, California.

Resolution No. 13-24 – Authorizing the Issuance of Bonds in an Amount Not to Exceed \$37,000,000* to Finance the Acquisition, Construction, Expansion, Rehabilitation, Renovation, Furnishing, and Equipping of Educational Facilities Located in San Diego County, California

Ms. Johantgen introduced the financing team. Mr. Cameron Curry from The Classical Academy, Incorporated provided a brief history of Classical Academy and how much it has grown from the organization's inception. Kerrigan Bennett, serving as bond counsel and John Snider from RBC, the sole underwriter, provided information about the financing structure and some early pricing indications for the board's consideration.

It was moved, seconded, and passed unanimously to adopt Resolution No. 13-24, authorizing the issuance of bonds in an amount not to exceed \$37,000,000 to finance the acquisition, construction, expansion, rehabilitation, renovation, furnishing, and equipping of educational facilities located in San Diego County, California.

There being no additional public comments or other business to conduct, the meeting was adjourned.

Respectfully submitted,

Katrina Johantgen
Executive Director